



**Arizona Department of Water Resources**  
Groundwater Permitting and Wells Section  
P.O. Box 36020 Phoenix, Arizona 85067-6020  
(602) 771-8527 • (602) 771-8690 fax  
• [www.azwater.gov](http://www.azwater.gov) •

## Notice of Intention to Abandon a Well

**FEE**  
**\$150.00**

- Review instructions and the Well Abandonment Handbook prior to completing form with black or blue ink.
- You must include with your Notice:
  - Well construction diagram showing all existing well construction features listed in Section 5 and the proposed abandonment specifications listed in Section 6.
- Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

TO BE COMPLETED BY ADWR			FILE NUMBER
AMA/NA	BASIN	SUBBASIN	04-9)28CAC
RECEIVED DATE	WATERSHED	WELL REGISTRATION NUMBER	
3/16/17		55- 482740	
ISSUED DATE	REMEDIAL ACTION SITE		
3/16/17			

### SECTION 1. REGISTRY INFORMATION

To determine the location of well, please refer to the Well Registry Map (<https://gisweb.azwater.gov/WellRegistry/Default.aspx>) and Google Earth (<http://www.earthpoint.us/Townships.aspx>)

Well Type	Location of Well												
CHECK ONE	WELL LOCATION ADDRESS (IF ANY) OR CROSS STREETS												
<input type="checkbox"/> Domestic <input type="checkbox"/> Stock <input type="checkbox"/> Irrigation <input type="checkbox"/> Municipal <input checked="" type="checkbox"/> Monitor / Piezometer <input type="checkbox"/> Geotechnical <input type="checkbox"/> Mineral Exploration <input type="checkbox"/> Other (please specify):	<table border="1"> <tr> <th>TOWNSHIP (N/S)</th> <th>RANGE (E/W)</th> <th>SECTION</th> <th>160 ACRE</th> <th>40 ACRE</th> <th>10 ACRE</th> </tr> <tr> <td>4.0 S</td> <td>9.0 E</td> <td>28</td> <td>SW ¼</td> <td>NE ¼</td> <td>SW ¼</td> </tr> </table>	TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE	4.0 S	9.0 E	28	SW ¼	NE ¼	SW ¼
TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE								
4.0 S	9.0 E	28	SW ¼	NE ¼	SW ¼								
ORIGINAL WELL OWNER (IF KNOWN)	COUNTY ASSESSOR'S PARCEL ID NUMBER												
Magma	BOOK MAP PARCEL												
ORIGINAL WELL DRILLING FIRM (IF KNOWN)	COUNTY WHERE WELL IS LOCATED												
Unknown	PINAL												
DRILL DATE (IF KNOWN)	LATITUDE												
1994	33 ° 3 ' 1.88 "N 111 ° 26 ' 4.87 "W												
	Degrees Minutes Seconds Degrees Minutes Seconds												
	METHOD OF LATITUDE/LONGITUDE (check one) <input type="checkbox"/> *GPS: Hand-Held												
	<input type="checkbox"/> Google Earth <input checked="" type="checkbox"/> Conventional Survey <input type="checkbox"/> *GPS: Survey-Grade												
	*IF GPS WAS USED, GEOGRAPHIC COORDINATE DATUM (check one)												
	<input type="checkbox"/> NAD-83 <input type="checkbox"/> Other (please specify):												

### SECTION 2. OWNER INFORMATION

Land Owner	Well Owner (check this box if Land Owner and Well Owner are same) <input type="checkbox"/>
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL	FULL NAME OF COMPANY, GOVERNMENT AGENCY, OR INDIVIDUAL
Arizona State Land Department (Mineral Lease #11-026500)	Florence Copper Inc.
MAILING ADDRESS	MAILING ADDRESS
1616 W. Adams Street	1575 W. Hunt Hwy
CITY / STATE / ZIP CODE	CITY / STATE / ZIP CODE
Phoenix, AZ 85007	Florence, Arizona 85123
CONTACT PERSON NAME AND TITLE	CONTACT PERSON NAME AND TITLE
Lisa Atkins (State Land Commissioner)	Ian Ream (Senior Hydrogeologist)
TELEPHONE NUMBER	TELEPHONE NUMBER
(602) 542-4631	(520) 374-3984
FAX NUMBER	FAX NUMBER
	(520) 374-3999

### SECTION 3. ABANDONMENT AUTHORIZATION

Drilling Firm	Consultant (if applicable)
NAME	CONSULTING FIRM
National EWP, INC	Haley & Aldrich, Inc.
DWR LICENSE NUMBER	CONTACT PERSON NAME
823	Mark Nicholls
ROC LICENSE CATEGORY	TELEPHONE NUMBER
A-4	(602) 760-2423
TELEPHONE NUMBER	EMAIL ADDRESS
(480) 558-3500	MNicholls@haleyaldrich.com
EMAIL ADDRESS	
jstephens@nationalewp.com	

### SECTION 4.

Questions	Yes	No	If Yes:
1. To your knowledge, is there any information that exists which indicates that the water in this well has been, may be, or is contaminated?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	EXPLAIN (attach additional page if necessary)
2. Is there another well name or identification number associated with this well? (e.g., Lot 3 Well, MW-1, etc.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(please state) OB3-1
3. Was the well casing video logged?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	INCLUDE CD OR DVD OF VIDEO LOG WITH NOTICE OF INTENT
4. Why is the well being abandoned?	No longer in use		

MAR 03 2017

ADWR

# Notice of Intent to Abandon a Well

WELL REGISTRATION NUMBER  
55 - 482740

## SECTION 5. ORIGINAL WELL CONSTRUCTION DESIGN (attach additional page if needed)

Existing Borehole			Existing Casing (to the best of your knowledge)												
DEPTH FROM SURFACE		BOREHOLE DIAMETER (inches)	DEPTH FROM SURFACE		OUTER DIAMETER (inches)	MATERIAL TYPE				PERFORATION TYPE					SLOT SIZE IF ANY (inches)
FROM (feet)	TO (feet)		FROM (feet)	TO (feet)		STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED	
0	20	Unknown	0	20	12	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
20	800	9 5/8	0	500	4	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
			500	800	4	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	bottom 20 feet blank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		unknown

Condition of casing: (good, fair, poor, unknown) FAIR

DEPTH FROM SURFACE		ANNULAR MATERIAL TYPE							FILTER PACK			
FROM (feet)	TO (feet)	NONE	CONCRETE	NEAT CEMENT OR CEMENT GROUT	CEMENT-BENTONITE GROUT	BENTONITE			IF OTHER TYPE OF ANNULAR MATERIAL, DESCRIBE	SAND	GRAVEL	SIZE
						GROUT	CHIPS	PELLETS				
20	500	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	0-20 feet cement grout	<input type="checkbox"/>	<input type="checkbox"/>	
500	505	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	Fine
505	800	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	unknown size filter pack	<input checked="" type="checkbox"/>	<input type="checkbox"/>	filter pack

## SECTION 6. PROPOSED WELL ABANDONMENT DESIGN (attach additional page if needed)

DATE ABANDONMENT IS TO BEGIN

Refer to ADWR's [Well Abandonment Handbook](#) for additional information.

Casing Treatment					Sealing or Fill Material														
DEPTH FROM SURFACE		TREATMENT TYPE				DEPTH FROM SURFACE		MATERIAL TYPE								MIXING RATIO by (check one) <input type="checkbox"/> Weight <input checked="" type="checkbox"/> Volume	ESTIMATED VOLUME OF MATERIAL (cubic feet)		
FROM (feet)	TO (feet)	SONAR JET	BRUSH OR SCRAPE	MILLS KNIFE	CASING REMOVAL (explain in Remarks)	IF OTHER TYPE, DESCRIBE OR IF CASING IS TO BE PERFORATED, DESCRIBE SPACING AND SIZE OF PERFORATIONS TO BE ADDED	FROM (feet)	TO (feet)	NEAT CEMENT	CONCRETE	SAND-CEMENT GROUT	CEMENT-BENTONITE GROUT	SAND-BENTONITE GROUT	GROUT	CHIPS			PELLETS	SAND
0	470	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		5	800	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1:1	266
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Proposed Abandonment Method (See Well Abandonment Handbook)					Emplacement Method of Sealing or Fill Material				
<p>CHECK ONE</p> <p><input type="checkbox"/> Standard Method    <input type="checkbox"/> Alternative 4:    <input type="checkbox"/> Other (please specify):</p> <p><input type="checkbox"/> Alternative 1        <input type="checkbox"/> Variance Option *</p> <p><input type="checkbox"/> Alternative 2        <input checked="" type="checkbox"/> Alternative 5:</p> <p><input type="checkbox"/> Alternative 3        <input type="checkbox"/> Variance Option 1*    * requires a letter requesting a variance</p> <p><input type="checkbox"/> Variance Option 2*</p>					<p>CHECK ONE</p> <p><input checked="" type="checkbox"/> Tremie Pumped (Recommended)</p> <p><input type="checkbox"/> Gravity</p> <p><input type="checkbox"/> Pressure Grouting</p> <p><input type="checkbox"/> Other (please specify):</p>				

APPLICATION CONTINUES ON PAGE 3

# Notice of Intent to Abandon a Well

WELL REGISTRATION NUMBER  
55 - 482740

## SECTION 7. Well Abandonment Diagram

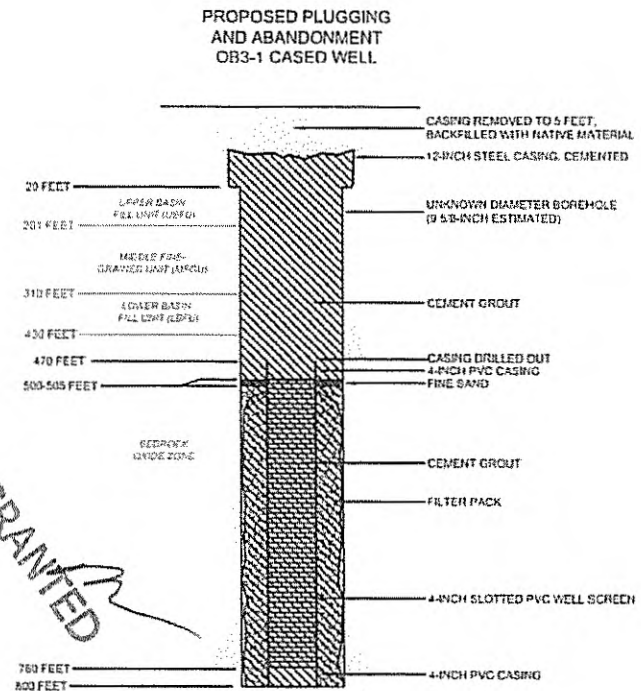
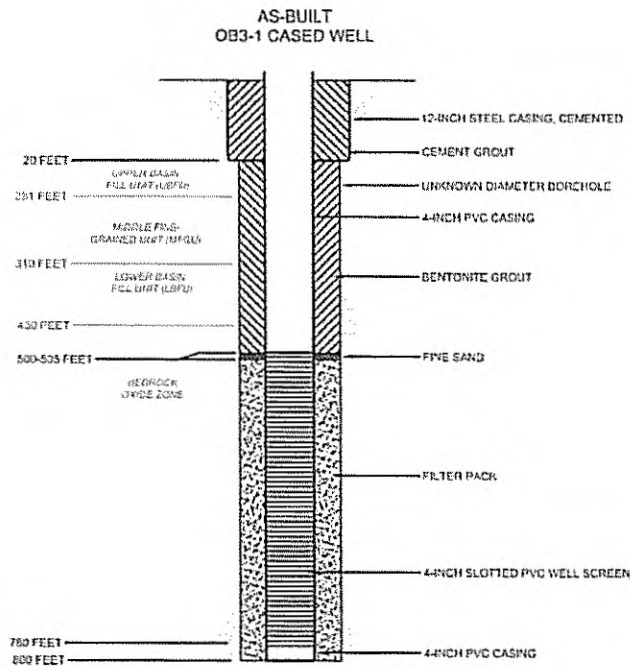
Please use the space below to provide a well abandonment diagram showing all existing well construction features listed in Section 5 and the proposed abandonment specifications listed in Section 6.

## SECTION 8. LAND OWNER AND WELL OWNER SIGNATURE

I state that this notice is filed in compliance with A.R.S. § 45-596 and is complete and correct to the best of my knowledge and belief.

Land Owner	Well Owner (complete if Land Owner/Well Owner are NOT the same)
PRINT NAME AND TITLE	PRINT NAME AND TITLE Ian Ream, Senior Hydrogeologist
SIGNATURE OF LAND OWNER	SIGNATURE OF WELL OWNER
DATE	DATE 3-2-2017
<input type="checkbox"/> By checking this box, you agree to allow ADWR to contact you via electronic mail.	<input checked="" type="checkbox"/> By checking this box, you agree to allow ADWR to contact you via electronic mail.
EMAIL ADDRESS	EMAIL ADDRESS IanReam@florencecopper.com

55-482740



VARIANCE GRANTED

C:\PROJECTS\OB3-1\OB3-1 CASED WELL\OB3-1 CASED WELL.DWG

HALEY  
ALDRICH  
FLORENCE COPPER, INC.  
FLORENCE, ARIZONA

OB3-1 CASED WELL DIAGRAM

FLORENCE COPPER, INC. SCALE: NOT TO SCALE

FIGURE 1





HALEY & ALDRICH, INC.  
One Arizona Center  
400 E. Van Buren St., Suite 545  
Phoenix, AZ 85004  
602 760 2450

55-482740

*OTC crossed out in error*  
*M*

22 February 2017  
File No. 129687-002

Arizona Department of Water Resources  
1110 W. Washington Street, Ste. 310  
Phoenix, AZ 85007

Attention: Groundwater Permitting and Wells Section

Subject: Variance Request for Well Abandonment

**VARIANCE GRANTED**  
*M*

To Whom It May Concern:

On behalf of Florence Copper, Inc. (FCI), Haley & Aldrich, Inc. (Haley & Aldrich) is requesting a Variance to remove the existing well casing during abandonment to 5 feet below land surface instead of 2 feet below land surface. The variance is requested to accommodate future development at the site.

Please contact me at 602-760-2423 if you require any additional information.

Sincerely yours,  
HALEY & ALDRICH, INC.

Mark D. Nicholls, R.G.  
Lead Hydrogeologist



HALEY & ALDRICH, INC.  
One Arizona Center  
400 E. Van Buren St., Suite 545  
Phoenix, AZ 85004  
602.760.2450

3 March 2017  
File No. 38706-119

RECEIVED

MAR 03 2017

ADWR

Arizona Department of Water Resources  
1110 W. Washington Street, Suite 310  
Phoenix, Arizona 85007

Attn: Mr. David Christiana  
Groundwater Permitting and Wells Section

Subject: Florence Copper Notices of Intention to Abandonment a Well

Dear Mr. Christiana:

In response to your email to Mr. Ian Ream of Florence Copper Inc. (Florence Copper) on 1 March 2017 (included as Attachment 1), we are submitting revised Notices of Intention to Abandon a Well (NOIs) for three of the referenced NOIs. The NOIs previously submitted for these wells had incorrect or duplicated well registry numbers, and so we have included Late Registration of existing wells for three of the NOIs submitted.

Three NOIs were submitted for Well Registry ID 55-542055; we have included a revised NOI form and a Late Registration of an Existing Well form for two of the wells (wells named PW4-1 and PW3-1), the other should remain under the Well Registry ID 55-542055 (well name OB4-1), as it is identified by name in the imaged record and the location is correct. It is our understanding that the abandonment authority for that well has already been issued to the drilling contractor.

One NOI was submitted under Well Registry ID 55-562121; this NOI has been revised to remove the incorrect Well Registry ID. The revised NOI for Abandonment and Late Registration of Existing Well Forms are included in Attachment 2 for this well (well name OB3-1).

The NOI submitted for 55-538308 will be resubmitted at a later date.

Florence Copper's attorney, Mr. Mike Pearce, met with Ms. Stella Murillo on 2 March 2017 to discuss this matter and she indicated that the fee for the Late Registration of these existing wells would be waived.

Please contact me at 602-760-2429 or Mr. Ian Ream with Florence Copper at 520-374-3984 if you have any questions or require any additional information to process the attached NOIs.

Arizona Department of Water Resources  
3 March 2017  
Page 2

Sincerely yours,  
HALEY & ALDRICH, INC.



Lauren Candrea, R.G.  
Project Manager

Attachments:

- Attachment 1 – Email correspondence from Mr. David Christiana, 1 March 2017
- Attachment 2 – Revised NOIs and Late Registration of Existing Well Forms

c: Ian Ream, Florence Copper, Inc.

G:\Projects\Curis Resources\129687 Monitor Well Drilling\Correspondence\Outgoing\5017\_0303 ADEQ NOI Resubmit Ltr\2017\_0303\_ADEQ NOI Resubmittal Ltr.docx

**HALEY  
ALDRICH**



Arizona Department of Water Resources  
Groundwater Permitting and Wells Section  
P.O. Box 36020 Phoenix, Arizona 85067-6020  
(602) 771-8527 • (602) 771-8690 fax  
• [www.azwater.gov](http://www.azwater.gov)

WITHDRAWN

Notice of Intention to  
Abandon a Well

FEE  
\$150.00

- ❖ Review instructions and the Well Abandonment Handbook prior to completing form with black or blue ink.
- ❖ You must include with your Notice:
  - Well construction diagram showing all existing well construction features listed in Section 5 and the proposed abandonment specifications listed in Section 6.
- ❖ Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

TO BE COMPLETED BY ADWR		FILE NUMBER
AMARINA	BASIN	55-562121
RECEIVED DATE	WATERSHED	WELL REGISTRATION NUMBER
2/24/17	08	55-562121
ISSUED DATE	REMEDIAL ACTION SITE	

SECTION 1. REGISTRY INFORMATION

To determine the location of well, please refer to the Well Registry Map (<https://qlsweb.azwater.gov/WellRegistry/Default.aspx>) and Google Earth (<http://www.earthpoint.us/Townships.aspx>)

Well Type		Location of Well	
CHECK ONE		WELL LOCATION ADDRESS (IF ANY) OR CROSS STREETS	
<input type="checkbox"/> Domestic	<input checked="" type="checkbox"/> Monitor / Piezometer		
<input type="checkbox"/> Stock	<input type="checkbox"/> Geotechnical		
<input type="checkbox"/> Irrigation	<input type="checkbox"/> Mineral Exploration		
<input type="checkbox"/> Municipal	<input type="checkbox"/> Other (please specify):		
ORIGINAL WELL OWNER (IF KNOWN)		TOWNSHIP (N/S)	
Magma		4.0 S	
ORIGINAL WELL DRILLING FIRM (IF KNOWN)		RANGE (E/W)	
Unknown		9.0 E	
DRILL DATE (IF KNOWN)		SECTION	
1994		28	
		160 ACRE	
		SW 1/4	
		40 ACRE	
		NE 1/4	
		10 ACRE	
		SW 1/4	
		COUNTY ASSESSOR'S PARCEL ID NUMBER	
		BOOK	
		MAP	
		PARCEL	
		1001	
		COUNTY WHERE WELL IS LOCATED	
		PINAL	
		LATITUDE	
		LONGITUDE	
		33 °	
		3 ' 1.88 "N	
		111 °	
		26 ' 4.87 "W	
		Degrees	
		Minutes	
		Seconds	
		METHOD OF LATITUDE/LONGITUDE (check one)	
		<input type="checkbox"/> *GPS: Hand-Held	
		<input type="checkbox"/> Google Earth	
		<input checked="" type="checkbox"/> Conventional Survey	
		<input type="checkbox"/> *GPS: Survey-Grade	
		*IF GPS WAS USED, GEOGRAPHIC COORDINATE DATUM (check one)	
		<input type="checkbox"/> NAD-83	
		<input type="checkbox"/> Other (please specify):	

SECTION 2. OWNER INFORMATION

Land Owner		Well Owner (check this box if Land Owner and Well Owner are same) <input type="checkbox"/>	
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL		FULL NAME OF COMPANY, GOVERNMENT AGENCY, OR INDIVIDUAL	
Arizona State Land Department (Mineral Lease #11-026500)		Florence Copper Inc.	
MAILING ADDRESS		MAILING ADDRESS	
1616 W. Adams Street		1575 W. Hunt Hwy	
CITY / STATE / ZIP CODE		CITY / STATE / ZIP CODE	
Phoenix, AZ 85007		Florence, Arizona 85123	
CONTACT PERSON NAME AND TITLE		CONTACT PERSON NAME AND TITLE	
Lisa Atkins (State Land Commissioner)		Ian Ream (Senior Hydrogeologist)	
TELEPHONE NUMBER		TELEPHONE NUMBER	
(602) 542-4631		(520) 374-3984	
FAX NUMBER		FAX NUMBER	
		(520) 374-3999	

SECTION 3. ABANDONMENT AUTHORIZATION

Drilling Firm		Consultant (if applicable)	
NAME		CONSULTING FIRM	
National EWP, INC		Haley & Aldrich, Inc.	
DWR LICENSE NUMBER		CONTACT PERSON NAME	
823		Mark Nicholls	
ROD LICENSE CATEGORY		TELEPHONE NUMBER	
A-4		(602) 760-2423	
TELEPHONE NUMBER		EMAIL ADDRESS	
(480) 558-3500		MNicholls@haleyaldrich.com	
EMAIL ADDRESS			
jstephens@nationalewp.com			

SECTION 4.

Questions	Yes	No	If Yes:
1. To your knowledge, is there any information that exists which indicates that the water in this well has been, may be, or is contaminated?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	EXPLAIN (attach additional page if necessary)
2. Is there another well name or identification number associated with this well? (e.g., Lot 3 Well, MW-1, etc.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(please state) OB3-1
3. Was the well casing video logged?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	INCLUDE CD OR DVD OF VIDEO LOG WITH NOTICE OF INTENT
4. Why is the well being abandoned?	No longer in use		



# Notice of Intent to Abandon a Well

WELL REGISTRATION NUMBER  
55-562121

## SECTION 5. ORIGINAL WELL CONSTRUCTION DESIGN (attach additional page if needed)

Existing Borehole			Existing Casing (to the best of your knowledge)													
DEPTH FROM SURFACE		BOREHOLE DIAMETER (inches)	DEPTH FROM SURFACE		OUTER DIAMETER (inches)	MATERIAL TYPE				PERFORATION TYPE					SLOT SIZE IF ANY (inches)	
FROM (feet)	TO (feet)		FROM (feet)	TO (feet)		STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED		IF OTHER TYPE, DESCRIBE
0	20	Unknown	0	20	12	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
20	800	9 5/8	0	500	4	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
			500	800	4	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		0.020

Condition of casing: (good, fair, poor, unknown) FAIR

DEPTH FROM SURFACE		ANNULAR MATERIAL TYPE							FILTER PACK			
FROM (feet)	TO (feet)	NONE	CONCRETE	NEAT CEMENT OR CEMENT GROUT	CEMENT-BENTONITE GROUT	BENTONITE			IF OTHER TYPE OF ANNULAR MATERIAL, DESCRIBE	SAND	GRAVEL	SIZE
						GROUT	CHIPS	PELLETS				
0	500	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	
500	505	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	Fine
505	800	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>	no. 12

## SECTION 6. PROPOSED WELL ABANDONMENT DESIGN (attach additional page if needed)

DATE ABANDONMENT IS TO BEGIN

Refer to ADWR's [Well Abandonment Handbook](#) for additional information.

Casing Treatment						Sealing or Fill Material															
DEPTH FROM SURFACE		TREATMENT TYPE				DEPTH FROM SURFACE		MATERIAL TYPE								MIXING RATIO by (check one) <input type="checkbox"/> Weight <input checked="" type="checkbox"/> Volume	ESTIMATED VOLUME OF MATERIAL (cubic feet)				
FROM (feet)	TO (feet)	SONAR JET	BRUSH OR SCRAPE	MILLS KNIFE	CASING REMOVAL (explain in Remarks)	IF OTHER TYPE, DESCRIBE OR IF CASING IS TO BE PERFORATED, DESCRIBE SPACING AND SIZE OF PERFORATIONS TO BE ADDED	FROM (feet)	TO (feet)	NEAT CEMENT	CONCRETE	SAND-CEMENT GROUT	CEMENT-BENTONITE GROUT	SAND-BENTONITE GROUT	HIGH SOLIDS BENTONITE	GROUT			CHIPS	PELLETS	SAND	
0	470	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		5	800	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1:1	266
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

## Proposed Abandonment Method (See Well Abandonment Handbook)

CHECK ONE

☐ Standard Method    ☐ Alternative 4:    ☐ Other (please specify):

☐ Alternative 1    ☐ Variance Option \*

☐ Alternative 2    ☒ Alternative 5:    ☐ Variance Option 1\*

☐ Alternative 3    ☐ Variance Option 2\*    \* requires a letter requesting a variance

## Emplacement Method of Sealing or Fill Material

CHECK ONE

☒ Tremie Pumped (Recommended)

☐ Gravity

☐ Pressure Grouting

☐ Other (please specify):

APPLICATION CONTINUES ON PAGE 3

# Notice of Intent to Abandon a Well

WELL REGISTRATION NUMBER  
55 - 562121

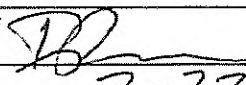
## SECTION 7. Well Abandonment Diagram

Please use the space below to provide a well abandonment diagram showing all existing well construction features listed in Section 5 and the proposed abandonment specifications listed in Section 6.



## SECTION 8. LAND OWNER AND WELL OWNER SIGNATURE

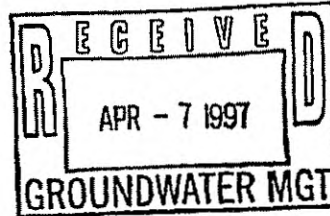
I state that this notice is filed in compliance with A.R.S. § 45-596 and is complete and correct to the best of my knowledge and belief.

Land Owner	Well Owner (complete if Land Owner/Well Owner are NOT the same)
PRINT NAME AND TITLE	PRINT NAME AND TITLE Ian Ream, Senior Hydrogeologist
SIGNATURE OF LAND OWNER	SIGNATURE OF WELL OWNER 
DATE	DATE 2-22-2017
<input type="checkbox"/> By checking this box, you agree to allow ADWR to contact you via electronic mail.	<input checked="" type="checkbox"/> By checking this box, you agree to allow ADWR to contact you via electronic mail.
EMAIL ADDRESS	EMAIL ADDRESS IanReam@florencecopper.com



March 26, 1997

Ms. Kathy Willman  
Water Resources Supervisor  
Phoenix Active Management Area  
500 North 3<sup>rd</sup> Street  
Phoenix, Arizona 85004



BHP Copper

15-3355/65

Subject: Injection/Recovery Well Permit Application  
for Wells Drilled in 1997,  
BHP Copper Florence Project

Dear Ms. Willman:

Please find enclosed the *Application for Permit to Withdraw Groundwater For Mineral Extraction and Metallurgical Processing Within An Active Management Area* and the *New Well Construction Supplement for Application for Withdrawal Permit*. Also enclosed is the application fee of \$150, the permit fee of \$50 and \$60 for payment of the legal notice for a total of \$260. The permit application and well supplement have been prepared by Brown and Caldwell for BHP Copper's Florence Project.

To satisfy permit requirements outlined in the Arizona Department of Water Resources (ADWR) letter to BHP Copper of April 30, 1996, several attachments are included with the permit application. Listed in Attachment A are the injection/recovery wells planned for 1997 and their respective locations. Shown on Attachment B is the general well design. Both the injection wells and the recovery wells will be constructed with the same design so that they may be used interchangeably. The depths and screen length shown are typical and may vary slightly from well to well. As requested by the ADWR, Attachment C is a map showing the regional location of the Florence Project. The well locations are presented on Attachment D. For clarity, Attachment E presents the wells on a 10-acre parcel. Also included is a copy of the aforementioned letter from ADWR to BHP Copper that outlines the permitting procedure and required additional information.

Each well identified on Attachment A will be utilized as either an injection well or a recovery well. All of the wells listed are within an individual mining block. The recovery wells serve dual purposes. They are used to recover copper laden mine fluids and to maintain hydraulic control of the well field. The recovery wells are pumped at slightly higher rates than fluid is injected via the injection wells, thus ensuring hydraulic control by groundwater withdrawal.

3:chp3333willman03/26/97kw

BHP Copper Inc. Florence Project 14805 E. Hunt Highway Florence Arizona 85232  
Telephone (520) 868-5090 Facsimile (520) 868-0463  
BHP Copper is a Business Group of The Broken Hill Proprietary Company Limited

Ms. Kathy Willman  
March 26, 1997  
Page 2

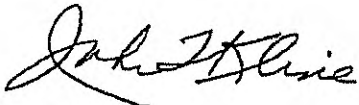
As stated in the Department's letter, it is anticipated that one drilling authority and one well registration number will be issued for all wells included within a mining block. The wells described in Attachment A will constitute the first block which will be designated Block No. 1. All subsequent blocks will be sequentially numbered. It is anticipated that BHP will submit one application per block and that typically one application per year will be submitted. This method of permitting per mine block parallels several other facets of state and federal requirements concerning the operation and closure of the mine. This method will also facilitate reporting requirements for wells during drilling, operation, and abandonment phases.

The aforementioned letter from ADWR states that "all wells which will be used for water production must be equipped with verifiable measuring devices". Two existing wells, D(4-9)18ddd and 17BCC, will be used for plant use once full-scale operations commence in 1998. They will be equipped with verifiable measuring devices. Specific plans for monitoring withdrawals for those wells will be submitted prior to their operation for plant use. All the other wells will be connected to manifolds that will be monitored for flow from the plant control room. To provide information concerning the proposed operation of the facility, an example Quarterly Operations Monitoring Report, Operations Plan, and Well Abandonment Plan are included.

The drilling contractor(s) for this work will be selected based on competitive bidding. Upon completion of the bidding process, the ADWR will be notified by BHP Copper of the name of the drilling contractor(s) that will perform the work. Also included will be the drilling firm's address, DWR license number, and ROC license category.

Very truly yours,

BHP COPPER



John Kline  
Project Manager

Enclosure

cc: Mr. Jarrell Southall, Brown and Caldwell



## Transaction Receipt - Success

Arizona Water Resources  
Arizona Water Resources  
MID:347501639533  
1700 W Washington St  
Phoenix , AZ 85012  
602-771-8454

---

02/24/2017 08:30AM  
Remittance ID  
Arizona022417102825121Far  
Transaction ID:  
180302057

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BILL EDDY  
500 Main  
WOODLAND, California 95695  
United States  
Visa - 4373  
Approval Code: 050142

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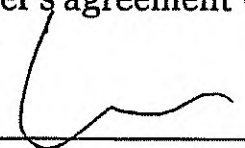
Sale  
Amount: \$300.00

---

55-542055, 55-562121  
N/A  
cash receipts  
0  
amfarmer@azwater.gov

---

Cardmember acknowledges  
receipt of goods and/or  
services in the amount of  
the total shown hereon and  
agrees to perform the  
obligations set forth by the  
cardmember's agreement with  
the issuer.

Signature 

---

2/24/2017

Arizona Department of Water Resources

1110 West Washington Street, Suite 310

Phoenix AZ 85007

Customer:

BILL EDDY

500 MAIN ST

WOODLAND, CA 95695

Receipt #: 17-50040

Office: MAIN OFFICE

Receipt Date: 02/24/2017

Sale Type: IN\_PERSON

Cashier: WRPXA

Item No.	Function Code	AOBJ	Description	Ref ID	Qty	Unit Price	Ext Price
67487	WRFREV	4439-TT	Notice of intention to abandon a well	562121	1	150.00	150.00
RECEIPT TOTAL:							150.00

Payment type: CREDIT CARD

Amount Paid: \$150.00

Payment Received Date: 02/24/2017

Authorization 180302057

Notes: FROM TTA.

# **MINERAL LEASE**

**11-26500**

Florence Copper Inc.  
1575 W. Hunt Highway  
Florence, AZ USA 85132

N2S2 Section 28, T4S, R9E  
Pinal County

Term

December 13, 2013 – December 12, 2033

**STATE LAND DEPARTMENT**

**STATE OF ARIZONA**



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# STATE OF ARIZONA

## MINERAL LEASE

Lease No. 11-26500

This mineral lease ("Lease") is entered into by and between the State of Arizona ("the State" or "Lessor"), Arizona State Land Department ("Department"), through the State Land Commissioner ("Commissioner"), and Florence Copper Inc. ("Lessee"), pursuant to A.R.S. § 27-254. In consideration of the payment of rent and royalties and of performance by the parties of each of the provisions set forth herein, the parties agree as follows:

### Article 1 LEASED LAND

- 1.1 **Lease Provisions.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, for the term, at the rent and royalty rate and in accordance with the provisions of this Lease, the State Land described below and in Appendix A ("Legal Description"), and as depicted in Appendix B ("Location Map") attached hereto and herein referred to as "the Leased Land".

Township 4S, Range 9E, Section 28, N2S2, Pinal County, 160.00 Acres

- 1.2 **Lease Condition.** Lessee takes the Leased Land "as is" and Lessor makes no expressed or implied warranties as to the physical condition of the Leased Land.

### Article 2 TERM

- 2.1 **Lease Term.** The term of this Lease:

Commences on the	<u>13<sup>th</sup></u>	day of	<u>December 2013</u>
And expires on the	<u>12<sup>th</sup></u>	day of	<u>December 2033</u>

unless canceled earlier or terminated as provided herein or as provided by law. Notwithstanding provisions of this Lease relating to termination or cancellation, the provisions on environmental or other indemnification, restoration, reclamation and insurance requirements survive the termination or cancellation of this Lease and remain enforceable

- 2.2 **Lease Termination.** Upon the sale, exchange, redemption, reconveyance, relinquishment or taking, whether by eminent domain or institutional use, lease of all or any portion of the Leased Land shall terminate on the date of such taking as to the property so taken.

### Article 3

#### RENT

- 3.1 **Rental Requirement.** Lessee shall pay rent to Lessor as follows for the use and occupancy of the Leased Land during the term of this Lease without offset or deduction and without notice or demand, as established on an annual basis.
- 3.2 **Annual Rent and Adjustments.** The annual rent is established by Lessor based on an August 1, 2014 appraisal of the Leased Land. Rent for this Lease shall be: **\$60,500.00 per year**. The rent will be billed in advance by the Department and is due on or before the anniversary date of the Lease. The Leased Land shall be reappraised and the annual rent reestablished after the Production Test Facility is completed and before the commercial phase of the operation is started.

### Article 4

#### COMMODITIES and UNITS OF PRODUCTION

- 4.1 **Mineral Commodity.** Copper
- 4.2 **Production Units.** Tons (short)

### Article 5

#### ROYALTY

- 5.1 **Royalty Rate.** Lessee shall pay the Lessor a royalty fee equal to a percentage of the gross value for all 'Minerals' (as defined in A.R.S. §27-231) 'Produced and Sold' (as that term is used in A.R.S. §27-234) from the Leased Land subject to such adjustments as may be permitted by the terms of this Lease.

- 5.1.1 **Sliding Scale Factor:** The Upper and Lower Limits (as defined in sections 5.1.2 and 5.1.3) utilized to determine the range of copper values upon which the Sliding Scale Factor ("SSF") is established, shall be re-evaluated and fixed on each January 1 over the Term of the Lease. The SSF shall range between two and eight percent. The SSF shall be calculated according to the following equation:

$$SSF = 6\% / (\text{Upper Limit} - \text{Lower Limit})$$

where: 6% represents the difference between the highest possible Royalty Rate (8%) and the lowest possible Royalty Rate (2%).

- 5.1.2 **Upper Limit:** The Upper Limit is defined as the copper price at which the maximum percentage royalty of 8% would be assessed.

As of December 13, 2013, the Upper Limit shall be \$3.98 per pound of copper. After January 1, 2015, the Upper Limit shall be reestablished annually on each January 1 such that it equals the numeric average of the monthly copper price, defined in section 5.2 as the Copper Index Price ("CIP"), calculated for the prior sixty (60) months plus one standard deviation for that same sixty (60) month period.



- 5.1.3 Lower Limit:** The Lower Limit is defined as the Modified Break-Even Copper Price, which is that copper price where the mining project associated with the Leased Land (i.e. the Florence Copper Project) has a net present value ("NPV") of zero.

As of December 13, 2013, the Lower Limit shall be \$2.81 per pound of copper. The Lower Limit shall be reestablished annually after January 1, 2015 by the Arizona State Land Department. The Lower Limit shall be the weighted average of the total production cost based on the future projections of mine revenue and operating cost (life of mine) as reported by Lessee to Lessor and to the Arizona State Department of Revenue ("DOR") annually pursuant to DOR Property Tax Form 82061-A.

- 5.1.4 Royalty Rate:** The Royalty Rate, for the period from January 1, 2014 to December 31, 2014 shall be two percent whenever the monthly average CIP is \$2.81 per pound or less (Lower Limit), and shall be eight percent whenever the monthly average CIP is \$3.98 per pound or more (Upper Limit). The Royalty Rate shall be calculated for any CIP that occurs within the range between \$2.81 per pound and \$3.98 per pound as follows:

$$\text{Royalty Rate} = [(CIP - \text{Lower Limit}) \times \text{SSF}] + \text{Minimum Royalty Rate}$$

where: CIP = monthly Copper Index Price  
Lower Limit = copper price fixed each January 1  
SSF = Sliding Scale Factor  
Minimum Royalty Rate = 2% (according to A.R.S. § 27.234.C)

- 5.2 Market Value:** The CIP shall be the average monthly "US Transaction" price as reported by *Platts Metals Week Price Notification Monthly Report*<sup>1</sup>

In the event that the above price ceases to be published, or for any reason becomes inappropriate for the purpose of this lease, a replacement CIP shall be selected by the Commissioner using a nationally recognized pricing index for major mineral commodities.

- 5.3 Gross Value:** The gross value for each calendar month shall be the sum, expressed in United States dollars, of all minerals produced and sold during the previous calendar month. The gross value for copper produced and sold during a calendar month shall be calculated as follows:

$$\text{Gross Value} = CIP \times \text{Pounds of Copper Produced and Sold}$$

where: CIP = copper index price  
Pounds of Copper Produced and Sold = pounds of copper produced and sold for the previous calendar month

The gross value for other minerals produced and sold during the calendar month shall be calculated in a manner similar to the gross value for copper produced and sold, valued in accordance with A.R.S. §27-234.

- 5.4 Monthly Royalty:** Each calendar month, Lessee shall pay the Lessor the Royalty (the 'Monthly Royalty') calculated based on minerals produced and sold from the Leased Land during the prior calendar month. The amount of the Monthly Royalty shall be calculated as follows:

$$\text{Monthly Royalty} = \text{Gross Value} \times \text{Royalty Rate}$$

where: Gross Value = calculated as defined in Section 5.3  
Royalty Rate = percentage as defined in Section 5.1

<sup>1</sup> Copyright © 2009 The McGraw-Hill Companies, Inc.

- 5.5 **Other Minerals:** In the event that other minerals or mineral products are produced and sold from the Leased Land, they shall be valued in accordance with A.R.S. §27-234 and similarly included in the computation of gross value. Should the mineral or mineral product not have a published price, the gross value shall be based on an appraisal that estimates the fair market price of the mineral (A.R.S. §27-234.B). This shall not apply to by-products from the waste water treatment plant.
- 5.6 **Production Reports:** Monthly production reports, including documentation when required, shall be submitted to the Lessor for each month, including reports for negative production, after the first month of production. Reports are due on or before the 15th of each month following the month of production.
- 5.7 **Minimum Annual Royalty:** Lessee shall pay to Lessor a minimum royalty of \$1,000.00 at the signing of the Lease, and a minimum royalty of \$3,200.00 each year thereafter on or before the anniversary of the Commencement Date of the Lease. The minimum annual royalty shall be a credit for Lessee, fully recoupable against production royalties (the Monthly Royalty in Article 5.4) due to Lessor for material used or removed; however, the entire portion of minimum annual royalty unused or not recouped upon the termination or expiration of the Lease shall be the sole property of Lessor. Lessee shall pay the minimum annual royalty each year regardless of use or removal of materials. The minimum annual royalty shall be a continuing credit during the term of the Lease.
- 5.8 **Royalty Payments:** Royalty payments shall be due within thirty (30) days after billing by the Department.
- 5.9 **Appraisal Costs:** If, during the term of this Lease, the Lessor determines that a new appraisal is appropriate pursuant to A.R.S. §27-234.C, the Lessor shall arrange for such appraisal and the Lessee shall pay to Lessor within 30 days of the Lessor's request the cost of the appraisal. Such reappraisal shall be required after the completion of the Production Test Facility and before the commercial phase of the operation is started to reestablish the royalty rate.
- 5.10 **Failure to Pay:** If Lessee fails to pay royalty or appraisal costs described in this Article, on or before the date the payment is due, the amount due accrues interest at the rate and in the manner determined pursuant to A.R.S. §42-1123. If it is determined that failure to pay royalty is not due to reasonable cause, a penalty of five percent (5%) of the amount found to be remaining due shall be added to the royalty for each month or fraction of a month elapsing between the due date and the date on which it is paid. The total penalty shall not exceed one-third (1/3) of the royalty remaining due. The penalty so added to the royalty is due and payable within (10) days of notice and demand from the Commissioner. If any royalty, appraisal assessment, interest, or penalty is not paid by the Lessee when due, the unpaid amounts constitute a lien from the date the amounts become due on all property and rights to property belonging to the Lessee that are located on the Leased Land.

## **Article 6**

### **USE OF LEASED LAND**

- 6.1 **Purpose.** The Leased Land is leased to Lessee for the purposes of mineral extraction and for uses related thereto and no other use.
- This Lease confers the right to extract, process and ship minerals, mineral compounds, and mineral aggregates from the Leased Lands within planes drawn vertically downward through the exterior boundary lines thereof.
- 6.2 **Consistent With Mine Operating Plan.** Any use of the Leased Land must be performed in a manner consistent with the approved Mine Operating Plan as required under the provisions of Article 21.

**Article 7**  
**RECORDS AND INSPECTION**

- 7.1 **Annual Records.** Lessee shall provide the following records on an annual basis to Lessor on or before each anniversary of the effective date of this Lease:
- 7.1.1 Annual Operations Status Report which includes: an itemized statement of mineral production, total tons of materials mined and processed, total acres disturbed, and total acres reclaimed, and an annual groundwater monitoring report.
  - 7.1.2 Relevant Arizona State Department of Revenue form(s) (82061-A for copper, 82061-B for non-copper, 82061-C for small-scale mines).
  - 7.1.3 Any additional records pertinent to appraisal, compliance with this Lease and mineral production deemed necessary by the Commissioner.

**Article 8**  
**TAXES; ADDITIONAL AMOUNTS**

- 8.1 **Assessments Paid By Lessee.** Lessee shall pay all assessments and charges for utilities and communication services, and assessments imposed pursuant to any construction on the Leased Land, all permit and authorization fees, all taxes, duties, charges and assessments of every kind or nature imposed by any public, governmental or political subdivision authority pursuant to any currently or subsequently enacted law, ordinance, regulation or order, which during the term of this Lease, becomes due or are imposed upon, charged against, measured by or become a lien on (a) the Leased Land, (b) any improvements or personal property of Lessee located on the Leased Land, and (c) the interest of Lessee to this Lease or in the proceeds received by Lessee from any assignment or sublease of the Leased Land.
- 8.2 **Assessment Deadline.** Lessee shall pay or cause to be paid all amounts required to be paid under Paragraph 8.1 before any interest, penalty, fine or cost accrues for nonpayment.

**Article 9**  
**WAIVER**

- 9.1 **Waiver Definition.** Acceptance of rent and/or royalty payments by Lessor shall not constitute a waiver by Lessor of any violation by Lessee of the provisions of this Lease.
- 9.2 **Future Waiver.** No waiver of a breach of any provision of this Lease shall be construed as a waiver of any succeeding breach of the same or any other provision.

**Article 10**  
**IMPROVEMENTS**

- 10.1 **Non-Permanent Improvements.** This Lease confers the right to Lessee to place non-permanent improvements consistent with the approved Mine Operating Plan as required under the provisions of Article 21. Upon the expiration, termination or abandonment of this Lease, Lessee shall be obligated to

remove improvements consistent with Approved Reclamation Plan as required under the provisions of Article 22. To the extent that non-permanent improvements may remain following closure and reclamation as required under Article 22, Lessee shall have the right to remove the improvements if all monies owing to the State under the terms of this Lease have been paid.

## **Article 11**

### **LESSEE'S COOPERATION; INGRESS AND EGRESS**

- 11.1 **Reasonable Department Ingress.** Representatives of the Department may enter, and Lessee shall maintain access to the Leased Land at reasonable times to inspect the workings, improvements and other facilities used to extract or sever minerals from Leased Land. Representatives of the Department may enter at reasonable times to obtain factual data or access to records pertinent to mineral production required to be kept under the terms of this Lease and otherwise ascertain compliance with the law and the terms of this Lease.
- 11.2 **Reasonable Notice.** Inspections, investigations, and audits conducted under Article 11.1 shall be on reasonable notice to Lessee unless reasonable grounds exist to believe that notice would frustrate the enforcement of the law or the terms of this Lease.
- 11.3 **Lessee Appearance at Commissioner's Office.** The Commissioner may require Lessee to appear at reasonable times and on reasonable notice at the Commissioner's office and produce such records and information as are specified in the notice to determine compliance with the terms of this Lease.
- 11.4 **Lessee Cooperation.** Lessee shall cooperate with Lessor in Lessor's inspection, appraisal and management of the Leased Land and permit reasonable access by Lessor's employees to isolated State Land across Lessee's private land during the term of this Lease.
- 11.5 **Lessee Interference.** Lessee shall not unreasonably interfere with the authorized activities of Lessor's employees, agents, other lessees, and permittees or right-of-entry holders on the Leased Land.
- 11.6 **Established Rights-of-Way.** This Lease is made subject to all legally established rights-of-way heretofore granted or that may hereafter be granted over and across the Leased Land.
- 11.7 **Ingress and Egress to Other State Lands.** This Lease confers the right of ingress and egress to other State land, whether or not leased for purposes other than mining.

## **Article 12**

### **LOSS OR WASTE**

- 12.1 **Lessee Waste.** Lessee shall not cause, nor grant permission to another to cause, any waste (destruction, misuse, alteration, or neglect) in or upon the Leased Land. This provision does not apply to activities authorized by this Lease that are subject to the reclamation and environmental requirements of this Lease.



**Article 13**  
**NATIVE PLANTS AND CULTURAL RESOURCES**

- 13.1 **Native Plants.** Lessee shall not move, use, destroy, cut or remove or permit to move any used, destroyed, or cut timber, cactus, native plants, standing trees or products of the land except that which is necessary for the use of the Leased Land, and then only with the prior written approval of Lessor. Lessee must submit a plant survey prior to the removal of any native plants. If the removal or destruction of plants protected under the Arizona Native Plant Law (A.R.S. § 3-901 et seq., or any successor statutes) is necessary to the use of the Leased Land, Lessee shall also obtain written approval of the Arizona Department of Agriculture. In the event Lessee removes the native plants, Lessee must pay a vegetation fee to Lessor and this fee is not a reimbursable improvement. Lessee is responsible for treatment of all regulated and restricted noxious weeds listed by the Arizona Department of Agriculture.
- 13.2 **Invasive Species.** Measures to limit the introduction of invasive species and any additional non-native species will be accomplished using Best Management Practices. This will include the use of certified weed-free straw or fiber roll logs for use in reclamation and/or sediment containment.
- 13.3 **Cultural Resources.** Prior to initiating any operation or activity requiring surface or ground disturbance, Lessee shall comply with all conditions and provisions of the most recently approved plans and agreements associated with the National Historic Preservation Act of 1996. If prehistoric or historic features, artifacts or properties, vertebrate paleontological sites, including fossilized footprints, inscriptions made by human agency or any other archaeological, paleontological or historical feature are encountered, Lessee shall immediately cease all work in the immediate vicinity of the encounter and notify and consult with the State Historic Preservation Office (SHPO), the Arizona State Museum (ASM) and the Department regarding avoidance, preservation, recovery and/or curation.

Lessee further agrees that:

- 13.3.1 Lessee shall ensure that all cultural resource investigations on the Leased Land are permitted pursuant to A.R.S. §41-841, et seq., and that the investigations and resulting reports satisfy the terms of the permit.
- 13.3.2 Lessee shall ensure that two copies of the report describing the results of the completed cultural resource survey of the Leased Land are submitted to Lessor for Lessor's use in consulting with SHPO pursuant to A.R.S. §41-861, et seq.
- 13.3.3 Lessee shall cause no surface disturbance within the boundaries of any known archaeological sites without Lessor approval.
- 13.3.4 If any previously unknown human remains, funerary objects, sacred ceremonial objects or objects of tribal patrimony, archaeological, paleontological or historical site or object that is at least 50 years old are encountered during surface disturbing activities, Lessee shall cease operations immediately and report the discovery to Lessor and to the Director of the ASM pursuant to A.R.S. §41-844.
- 13.3.5 At any and all times that ground disturbing activities are being performed on the Leased Land, Lessee shall have a qualified archaeologist on site to monitor the operations and insure compliance with the provisions of Article 13.3.

**Article 14**  
**PROTECT LAND, PRODUCTS AND IMPROVEMENTS**

- 14.1 **Reasonable Means.** Lessee is hereby authorized to use means which are reasonable and which do not result in a breach of the peace or in creating a concealed hazard, to protect the Leased Land and improvements against waste, damage and trespass. In the event of known trespass on the Leased Land resulting in damage thereto, Lessee shall make reasonable efforts to notify Lessor and appropriate law enforcement authorities.
- 14.2 **Fencing.** Lessee shall, at its expense, fence all shafts, prospect holes, adits, tunnels, process ponds and other dangerous mine workings for the protection of public health and safety and livestock.
- 14.3 **Compliance with Applicable Regulations.** Lessee shall comply with all requirements of any governmental agency having jurisdiction over Lessee's activities on the Leased Land.

**Article 15**  
**RESERVATIONS, RELINQUISHMENTS TO UNITED STATES**

- 15.1 **Rights-of-Ways and Easements.** Lessor reserves the right to grant rights-of-way, easements and sites over, across, under or upon the Leased Land for public highways, railroads, utility lines, pipelines, irrigation works, flood control, drainage works and other purposes.
- 15.2 **Relinquishing Lands for Federal Projects.** Lessor reserves the right to relinquish to the United States land needed for irrigation works in connection with a government reclamation project and to grant or dispose of rights-of-way and sites, for canals, reservoirs, dams, power or irrigation plants or works, railroads, tramway, transmission lines or any other purpose or use on or over the Leased Land.
- 15.3 **Compensation Waiver.** In the event of such relinquishment, grants or disposals, Lessee waives all right to any compensation whatsoever against Lessor except as may be allowed under the provisions of Article 16 and as limited therein.

**Article 16**  
**CONDEMNATION**

- 16.1 **Division of Condemnation Awards.** Lessor, any pertinent leasehold mortgagees and, if Lessee is not in default, Lessee, shall cooperate in prosecuting and collecting their respective claims for an award on account of a taking of all or any portion of the Leased Land and all damages or awards (with any interest thereon) to which Lessor, Lessee or any pertinent leasehold mortgagees may be entitled by reason of any taking of all or any portion of the Leased Land (herein referred to as "Condemnation Proceeds"). In the event of the taking or condemnation by any competent authority for any public or quasi-public use or purpose of all or any portion of the Leased Land at any time during the Lease Term, the rights of Lessor, Lessee, or any leasehold mortgagees, to share in the net proceeds of any award for land, buildings, improvements and damages upon any such taking, shall be apportioned as follows:

(i) Lessee shall receive that portion attributed to the then fair market value of the buildings and improvements constructed thereon and Lessee shall receive the fair market value immediately prior to such taking of Lessee's leasehold interest in the Leased Land so taken;



(ii) Lessor shall receive the fair market value of its reversionary interest under this Lease (exclusive of any value attributable to improvements).

The entire amount of the award, settlement or payment attributable to the value of buildings and improvements shall belong to Lessee.

- 16.2 **Lease Termination.** If the whole or materially all of the Leased Land shall be taken or condemned by a competent authority, this Lease shall cease and terminate and all rental, additional rent and other charges hereunder shall be apportioned as of the date of vesting of title in such taking or condemnation proceedings. For the purposes of this Article, a taking or condemnation of materially all of the Leased Land, as distinguished from a taking or condemnation of the whole of the Leased Land, means a taking of such scope that: (a) the untaken portion of the Leased Land is not reasonably usable for Lessee's purposes or is insufficient to permit the reclamation of the then existing improvement thereon or is insufficient to permit the recovery of the cost of reclamation of the then existing improvements thereon, or (b) the remaining untaken portion of the Leased land and the improvements thereon are incapable of producing a proportionately fair and reasonable net annual income, taking into consideration the payment of all operating expenses thereof including but not limited to the net rental, additional rental and all other charges herein reserved and after the performance of all covenants, agreements and provisions herein provided to be performed by Lessee. The determination of what constitutes a fair and reasonable net annual income shall be governed by reference to the average net annual income produced by the Leased Land during the five-year period immediately preceding the taking (or, if the taking occurs during the first five years of the Lease Term, during the Lease Term to date). As used above, the term "operating expenses" does not include depreciation or income taxes. If there is any controversy as to whether materially all of the Leased Land has been taken, the controversy shall be resolved by arbitration.

If materially all of the Leased Land are taken or condemned, then Lessee, at its option, upon thirty (30) days prior notice to Lessor, given at any time within ninety (90) days after the vesting of title in the condemnor, may cancel and terminate this Lease as to the entire Leased Land. The rent and other charges hereunder shall be prorated as of this date of termination.

- 16.3 **No Termination of Lease.** In the event of a partial taking or condemnation, i.e. a taking or condemnation of less than materially all of the Leased Land, this Lease (except as hereinafter provided) shall nevertheless continue, but the rent for the Lease Year in which such condemnation occurs shall be prorated as of the date of such condemnation and that portion of the rent attributable to that portion of the Leased Land so taken shall be credited to Lessee's obligations next arising under this Lease and the rent shall be reduced proportionately to reflect the loss of the land taken.

- 16.4 **Temporary Taking of Lease.** If the whole or any part of the Leased Land or of Lessee's interest under this Lease be taken or condemned by any competent authority for its or their temporary use or occupancy for a period which is fewer than four (4) months, this Lease shall not terminate by reason thereof and Lessee shall continue to pay, in the manner and at the times herein specified, the full amounts of the rent and all additional rent and other charges payable by Lessee hereunder, and, except only to the extent that Lessee may be prevented from so doing pursuant to the terms of the order of the condemning authority, to perform and observe all of the other terms, covenants, conditions and obligations hereof upon the part of Lessee to be performed and observed, as though such taking or condemnation had not occurred. If the whole or any part of the Leased Land or Lessee's interest in this Lease be taken or condemned by a competent authority for its or their temporary use or occupancy for a period which is in excess of four (4) months, this Lease may be terminated at the option of Lessee upon notice given within thirty (30) days of the taking or condemnation. Notwithstanding anything to the contrary herein, in the event of any temporary taking or condemnation Lessee shall, if this Lease has not been terminated as provided in this Article, be entitled to receive the entire amount of any award made for such taking or condemnation, whether paid by way of damages, rent or otherwise, unless such period of temporary use or occupancy shall extend to or beyond the Expiration Date, in which case such award shall be apportioned between Lessor and Lessee as of such Expiration Date.

## Article 17

### USE OF WATER

- 17.1 **Groundwater Rights.** Lessee shall be entitled to the use on the Leased Land of groundwater as defined in A.R.S. §45-101, or any successor statute, for purposes consistent with this Lease. Lessee shall obtain all required permits from the Arizona Department of Water Resources ("ADWR"). If Lessee shall develop any groundwater on the Leased Land, Lessee shall not acquire any rights with respect to the groundwater, except the right to use such water in accordance with applicable law, on the Leased Land during this Lease.
- 17.2 **Alternate Groundwater Source.** If Lessee uses, on the Leased Land, groundwater, or water from other sources, that use shall not (1) cause such water or any rights with respect to that water to be appurtenant to the Leased Land, or (2) affect in any way Lessee's rights with respect to the water, or unlawfully degrade groundwater quality.
- 17.3 **Well Abandonment.** Prior to the Lessee vacating the Leased Land, Lessee agrees to contact the Department to confirm whether the well(s) are required to be abandoned or capped. If requested by the Department, the Lessee may be required to conduct groundwater quality analysis. All fees associated with well capping, abandonment, and groundwater quality analysis shall be borne by the Lessee.
- 17.4 **Surface Water Rights.** The rights of Lessor and Lessee concerning the application for an establishment of any rights with respect to surface water as defined in A.R.S. §45-101, or any successor statute, shall be governed by State law.
- 17.5 **Validity of Surface Water Rights.** Nothing in the provisions of this Lease shall affect the validity of any rights established by or for Lessor or Lessee with respect to surface water, as defined in A.R.S. §45-101, prior to the commencement date of this Lease.
- 17.6 **Establishment of Water Rights.** The application for and establishment by Lessor or Lessee (as agent of the State of Arizona) of any surface or groundwater rights shall be in the name of the State of Arizona (Arizona State Land Department), and; such rights shall attach to and become appurtenant to the Leased Land in accordance with the provisions of A.R.S. Title 45, Chapters 1 and 2.
- 17.7 **Lessor Notification.** Lessee shall promptly notify Lessor in writing of any initial filings made by Lessee with any governmental agency or court concerning the establishment or adjudication of any claim to a water right relating to the Leased Land. Upon request of Lessor, Lessee shall furnish copies of any document filed with the agency or court.
- 17.8 **Annual Report.** The ADWR requires an annual report of groundwater pumped from non-exempt well(s) within both Active Management Areas and Irrigation Non-Expansion Areas. If applicable, Lessee shall submit to ADWR the Annual Water Withdrawal and Use Report and associated fees within the time period specified by ADWR. Lessee shall provide a copy of such report to Lessor.
- 17.9 **Water Use Not Beneficial to Lease.** If Lessee desires to move groundwater off the Leased Land, or use groundwater for purpose(s) different from those stated in this Lease, Lessee shall file an application with Lessor for a public auction water sale. Movement of groundwater from the Leased Land prior to a public auction is prohibited.
- 17.10 **Guarantee of Availability or Quality.** Lessor, by issuing this Lease, makes no guarantee with respect to groundwater availability or groundwater quality.
- 17.11 **Lessor's Access.** Lessee shall provide the Lessor's personnel access to well(s) on the Leased Land.

**Article 18**  
**DEFAULT AND CANCELLATION**

- 18.1 **Default Definition.** Violation by Lessee of any provision of this Lease shall be a default hereunder entitling Lessor to any and all remedies it may have under State law.
- 18.2 **Lease Cancellation.** Upon any such default, this Lease may be canceled pursuant to A.R.S. §37-289 or any successor statute.
- 18.3 **Cancellation for Conflict of Interest.** Pursuant to A.R.S. § 38-511, the State or any department or agency of the State may, within three years after its execution, cancel any lease, without penalty or further obligation, made by the State or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the lease on behalf of the State or any of the departments or agencies of the State, is at any time while the lease is in effect, an employee or agent of any other party to the lease in any capacity or a consultant to any other party of the lease with respect to the subject matter of the lease. A cancellation made pursuant to this provision shall be effective when Lessee receives written notice of the cancellation unless the notice specifies a later time. (moved from 23.12)
- 18.4 **Lessee Lease Termination.** Lessee may terminate this Lease at any time during its term by giving the Commissioner thirty (30) days written notice of the termination, if Lessee is not delinquent in the payment of rent, royalty or appraisal fees to the date of termination, and if the Leased Land has been reclaimed to a condition satisfactory to the Commissioner.

**Article 19**  
**INDEMNIFICATION AND INSURANCE**

- 19.1 **Lessee Defense of Actions or Proceedings.** In case an action or proceeding is brought against Lessor by reason of any such occurrence, Lessee, upon Lessor's request and at Lessee's expense, will resist and defend such action or proceedings, or cause the same to be resisted and defended either by counsel designated by Lessee or, where such occurrence is covered by liability insurance, by counsel designated by the insurer.
- 19.2 **Indemnification of State of Arizona.** To the extent allowed by law, Lessee shall defend, indemnify and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter for Article 19 referred to as "State of Arizona") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Lessee or any of its owners, officers, directors, agents, employees or sublessees, arising out of or related to Lessee's occupancy and use of the Leased Land. It is the specific intention of the parties that the State of Arizona shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the State of Arizona, be indemnified by Lessee from and against any and all claims. It is agreed that Lessee will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. This indemnity shall not apply if the Lessee or sublessee(s) is/are an agency, board, commission or university of the State of Arizona.
- 19.3 **A. Minimum Scope and Limits of Insurance.** Lessee shall procure and maintain until such time as all obligations under the terms of this Lease are met, insurance against claims for injury to persons or

damage to property which may arise from or in connection with the Lease.

The insurance requirements herein are minimum requirements for this Lease and in no way limit the indemnity covenants contained in this Lease. The State of Arizona in no way warrants that the minimum limits contained herein is sufficient to protect the Lessee from liabilities that might arise out of the performance of this Lease. Lessee is free to purchase additional insurance.

Lessee shall provide coverage with limits of liability not less than those stated below.

**1. Commercial General Liability (CGL) – Occurrence Form**

Policy shall include bodily injury, property damage, personal and advertising injury, Explosion, Collapse, and Underground (XCU), and products and completed operations.

- General Aggregate \$2,000,000
- Products – Completed Operations Aggregate \$1,000,000
- Personal and Advertising Injury \$1,000,000
- Damage to Rented Premises \$ 50,000
- Each Occurrence \$1,000,000

- a. The policy shall be endorsed, as required by this Lease, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the use and/or occupancy of the Leased land.
- b. Policy shall contain a waiver of subrogation endorsement as required by this Lease in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, and its officers, officials, agents, and employees for losses arising out of the use and/or occupancy of the Leased Land.

2. Excess/Umbrella Liability in the minimum amount of \$5,000,000 to follow form the primary CGL policy.
3. **Business Automobile Liability.** To cover all owned, hired and/or non-owned of Lessee in the minimum amount of \$1,000,000.

**NOTE LIMIT:**

**If hazardous materials are to be transported \$5,000,000**

\*If the Lease includes hazardous materials transportation, the automobile liability policy shall include the following endorsements:

- CA 99-48 Pollution Liability – broadened coverage for covered autos
- MCS-90 (Motor Carrier Act) – endorsements
  - a. The policy shall provide **Automobile Pollution Liability** specific to the transportation of hazardous materials.

The policy shall be endorsed as required by this Lease, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee, involving automobiles owned, leased, hired or borrowed by the Lessee.

Policy shall contain a waiver of subrogation endorsement as required by this Lease in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.



#### 4. Worker's Compensation and Employers' Liability

- Workers' Compensation Statutory
  - Employers' Liability
    - Each Accident \$1,000,000
    - Disease – Each Employee \$1,000,000
    - Disease – Policy Limit \$1,000,000
- a. Policy shall contain a waiver of subrogation endorsement as required by this Lease in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.
- b. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. § 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

#### 5. Contractor's (Lessee's) Pollution Liability

For losses caused by pollution conditions that arise from the operations of the Lessee as described in this lease, Lessee shall also require its contractor(s) to provide coverage for activities performed by or on behalf of the Lessee.

Each Occurrence	\$10,000,000
General Aggregate	\$10,000,000

- a. Coverage must be *identified as specific to the operations* as described in the Lease.
- b. Must include coverage pollution losses arising out of completed operations.
- c. The policy should be written on an "occurrence" basis with no sunset clause.
- d. Pollution coverage must apply to all phases of the work described in the Lease.
- e. The policy shall include coverage for bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death and medical monitoring costs.
- f. The policy shall include coverage for property damage including physical damage to or destruction of tangible property and the resulting loss of use thereof, clean-up costs, and the loss of use of tangible property that has not been physically damaged or destroyed including diminution in value.
- g. The policy shall include coverage for Environmental damage including physical damage to soil, surface water or ground water, or plant or animal life, caused by Pollution Conditions and giving rise to Cleanup Costs.
- h. The policy shall include defense including costs, charges and expenses incurred in the investigation, adjustment or defense of claims for such compensatory damages.
- i. The policy shall include coverage for asbestos and lead, mold, and no exclusions.
- j. The policy shall include Non-Owned Disposal Site coverage.
- k. The policy shall be endorsed as required by this Lease to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee.
- l. Policy shall contain a waiver of subrogation endorsement as required by this Lease in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.



- m. Should any of the work involve treatment, storage or disposal of hazardous wastes, the Lessee shall furnish an insurance certificate from the disposal facility establishing that the facility operator maintains current Pollution Legal Liability Insurance in the amount of not less than \$10,000,000 per occurrence / \$10,000,000 annual aggregate and will cover sudden and gradual pollution losses arising from the facility, associated with work performed under this Lease.

Minimum Scope of Coverage: For pollution losses arising from the Lessee's operation, coverage shall apply to sudden and gradual pollution conditions including the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water, which results in Bodily Injury or Property Damage. The policy should include the following coverages:

- i. Bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death and medical monitoring costs
- ii. Property damage, including physical injury to or destruction of tangible property including the resulting loss of use thereof, clean-up costs, and the loss of use of tangible property that has not been physically injured or destroyed and diminution in value.

#### 6. Pollution Legal Liability

Lessee shall provide coverage and cause its contractor(s) to provide coverage as required for the acceptance, storage or disposal of any hazardous materials, with limits of at least:

Each Occurrence	\$10,000,000
Annual Aggregate	\$10,000,000

- a. Coverage must be *identified as specific to the operations and specific site(s)* described in the Lease.
- b. Pollution coverage must apply to all locations utilized for the acceptance, storage or disposal of any hazardous materials
- c. The policy shall include bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death and medical monitoring costs.
- d. The policy shall include property damage including physical damage to or destruction of tangible property including the resulting loss of use thereof, clean-up costs, and the loss of use of tangible property that has not been physically damaged or destroyed.
- e. For losses that arise from the disposal facility that is accepting hazardous material, coverage shall apply to sudden and non-sudden pollution conditions including the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water, which results in cleanup costs, bodily injury or property damage.
- f. The policy shall include defense, including costs, charges and expenses incurred in the investigation, adjustment or defense of claims for such compensatory damages.
- g. The policy shall be endorsed as required by this Lease, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee.
- h. Policy shall contain a waiver of subrogation endorsement as required by this Lease in

favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.

**B. Additional Insurance Requirements.** The policies shall include, or be endorsed to include, these provisions:

1. The State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees wherever additional insured status is required. Such additional insured shall be covered to the full limits of liability purchased by Lessee, even if those limits of liability are in excess of those required by this Lease
2. Lessee's insurance coverage shall be primary insurance with respect to all other available sources.
3. Coverage provided by Lessee shall not be limited to the liability assumed under the indemnification provisions of this Lease.
4. If Lessee's Contractors and/or Subcontractors do not have or cannot obtain such coverage, Lessee's certificate(s) may include all its Contractors/Subcontractors as insureds under its policies or Lessee shall be responsible for ensuring and/or verifying that all Contractors/Subcontractors have collectable insurance as evidenced by the certificates of insurance and endorsements for each Contractor/Subcontractor. All coverages for Contractors/Subcontractors shall be subject to the applicable insurance requirements identified above. The Department reserves the right to require, at any time, proof from the Lessee that its Contractors/Subcontractors have the required coverage.

**C. Notice of Cancellation:** Each insurance policy required by the insurance provisions of this Lease shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the State of Arizona. Such notice shall be sent directly to:

Minerals Section  
Arizona State Land Department  
1616 West Adams Street  
Phoenix, Arizona 85007

and shall be sent by certified mail, return receipt requested.

**D. Acceptability of Insurers.** Lessee's insurance shall be placed with companies licensed in the State of Arizona or hold an approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

**E. Verification of Coverage.** Lessee shall furnish Lessor with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Lease. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by Lessor before the Lease Term commences. Each insurance policy required by this Lease must be in effect at or prior to the commencement of this Lease and must remain in effect for the duration of this Lease. Failure to maintain the insurance policies as required by this Lease or to provide timely evidence of renewal will be considered a material breach of this Lease. All certificates required by this Lease shall be sent directly to the Department. The Department's Lease number (11-26500) and location description of the Leased Land are to be noted on the certificate of insurance. Lessor reserves the right to require complete, certified copies of all insurance policies and endorsements required by this Lease at any time.

- F. **Modifications:** Any modification or variation from the insurance requirements in this Lease shall be made by the Lessor in consultation with the Arizona Department of Administration, Risk Management Division. Such action will not require a formal Lease amendment, but may be made by administrative action.
- G. **Approval:** The Lessor reserves the right to review, or make modifications to the insurance limits, required coverages or endorsements throughout the life of this Lease as deemed necessary. In such event, the Lessor shall provide the Lessee with written notice of such and the Lessee shall comply within thirty (30) days of receipt thereof.

## Article 20

### **ENVIRONMENTAL MATTERS**

- 20.1 **Definition of Regulated Substances and Environmental Laws.** For purposes of this Lease, the term "Environmental Laws" shall include but not be limited to any relevant federal, state or local environmental laws, and the regulations, rules and ordinances relating to environmental matters, and publications promulgated pursuant to the federal, state and local laws and any rules or regulations relating to environmental matters applicable to Lessee's operations on the Leased Land. For the purpose of this Lease, the term "Regulated Substances" shall include but not be limited to substances defined as "regulated substance," "solid waste," "hazardous waste," "hazardous materials," "hazardous substances," "toxic materials," "toxic substances," "inert materials," "pollutants," "toxic pollutants," "herbicides," "fungicides," "rodenticides," "insecticides," "contaminates," "pesticides," "asbestos," "environmental nuisance," "criminal littering," or "petroleum products" as defined in Environmental Laws.
- 20.2 **Compliance with Environmental Laws.** Lessee shall strictly comply with all applicable Environmental Laws, including, without limitation, water quality, air quality, and handling, transportation, storage, treatment, or disposal of any Regulated Substance on, under, or from the Leased Land. Without limiting the foregoing, compliance includes that Lessee shall: (i) comply with all reporting obligations imposed under Environmental Laws; (ii) obtain and maintain all permits required by Environmental Laws and provide copies to Lessor within ten business days of receipt of the permits; (iii) provide copies of all documentation relating to the Leased Land as required by Environmental Laws to Lessor within ten business days of Lessee's submittal and/or receipt of the documentation; (iv) during the Term of this Lease, provide copies of all information it receives or obtains regarding any and all environmental matters relating to the Leased Land, including but not limited to environmental audits relating to the Leased Land regardless of the reason for which the information was obtained or whether or not the information was required by Environmental Laws; and (v) prevent treatment, storage, disposal, handling or use of any Regulated Substances within the Leased Land without prior written authorization from Lessor. The permitted use of Regulated Substances in the performance of lease activities shall not exempt future obligation of Lessee to remediate any environmental condition that may result from such use. Lessor retains full right to require future remediation or restoration.
- 20.3 **Designated Compliance Officer.** Lessee at all times shall employ or designate an existing employee, consultant or representative (the "Designated Compliance Officer") who is responsible for knowing all Environmental Laws affecting Lessee and Lessee's business and monitoring Lessee's continued compliance with applicable Environmental Laws. Upon request by Lessor, Lessee shall make the Designated Compliance Officer available to discuss Lessee's compliance, answer any questions, and provide such reports and confirming information as Lessor may reasonably request.
- 20.4 **Environmental Audit.** At any time, Lessor may request Lessee to provide an environmental audit of the Leased Land performed by an Arizona registered professional engineer or an Arizona registered geologist. Lessee shall pay the entire cost of the audit.

- 20.5 **Environmental Assessment.** At any time during the Term of this Lease, with reasonable cause, Lessor may require Lessee to obtain a Phase I environmental assessment of the Leased Land, performed in accordance with most current ASTM standard by an Arizona registered professional engineer or an Arizona registered geologist. If, based upon the Phase I environmental assessment or its own independent investigation, Lessor identifies any possible violation of Environmental Laws or the terms of this Lease, Lessor may require Lessee to conduct additional environmental assessments as Lessor deems appropriate for the purpose of ensuring that the Leased Land are in compliance with Environmental Laws. The Phase I assessment, or any other assessment required by Lessor, shall be obtained for the benefit of both Lessee and Lessor. A copy of the Phase I report shall be provided both to Lessee and Lessor. Lessor, in its sole discretion, shall have the right to require Lessee to perform additional assessments of any damage to the Leased Land arising out of any violations of Environmental Laws. If Lessee fails to obtain any assessment required by Lessor, Lessee shall pay the entire costs of any and all assessments required by Lessor, notwithstanding the expiration or termination of this Lease.
- 20.6 **Indemnity for Environmental Damage.** Lessee shall defend, indemnify and hold Lessor harmless from and against any and all liability, obligations, losses, damages, penalties, claims, environmental response and cleanup costs and fines, and actions, suits, costs, taxes, charges, expenses and disbursements, including legal fees and expenses of whatever kind or nature (collectively, "claims" or "damages") imposed on, incurred by, or reserved against Lessor in any way relating to or arising out of any non-compliance by Lessee, Lessee's successors or sublessees, with any Environmental Laws, the existence or presence from and after the Commencement Date of this Lease of any Regulated Substance, on, under, or from the Leased Land, and any claims or damages in any way relating to or arising out of the removal, treatment, storage, disposition, mitigation, cleanup or remedying of any Regulated Substance on, under, or from the Leased Land by Lessee, its agents, contractors, or subcontractors.
- 20.7 **Scope of Indemnity.** This indemnity shall include, without limitation, claims or damages arising out of any and all violations of Environmental Laws regardless of any real or alleged fault, negligence, willful misconduct, gross negligence, breach of warranty, or strict liability on the part of any of the indemnities. This indemnity shall survive the expiration or termination of this Lease and/or transfer of all or any portion of the Leased Land and shall be governed by the laws of the State.
- 20.8 **Lessee's Participation in the Defense.** In the event any action or claim is brought or asserted against Lessor which is or may be covered by this indemnity, Lessee shall fully cooperate and pay for the defense of the action or claim including but not limited to the following: (i) the conduct of any required cleanup, removal or remedial actions and/or negotiations, (ii) the conduct of any proceedings, hearings, and/or litigation, and (iii) the negotiation and finalization of any agreement or settlement. Lessor shall retain the right to make all final decisions concerning the defense.
- 20.9 **Restoration.** Prior to the termination of this Lease and in addition to those obligations set forth in this Lease, Lessee shall restore the Leased Land by removing or remediating any and all Regulated Substances to the satisfaction of the Lessor. In addition, the restoration shall include, but not be limited to, removal of all waste and debris deposited by Lessee. If the Leased Land or any portions thereof are damaged or destroyed from the existence or presence of any Regulated Substance or if the Leased Land or any portions thereof are damaged or destroyed in any way relating to or arising out of the removal, treatment, storage, disposition, mitigation, cleanup or remedying of any Regulated Substance, Lessee shall arrange, at its expense, for the repair, removal, remediation, restoration, and reconstruction to the Leased Land, and groundwater in accordance with the approved mine reclamation and closure plans under Article 22. In any event, any damage, destruction, or restoration by Lessee shall not relieve Lessee from its obligations and liabilities under this Lease. The insurance provisions within this Lease shall remain in place until such time as the required restoration is complete and approved by the regulatory authority and the Lessor.



## Article 21

### MINE OPERATING PLAN

- 21.1 **Approved Mine Operating Plan.** All development or mining operations, or any use of the Leased land shall be performed in a manner consistent with an approved Mine Operating Plan, submitted as part of Lessee's Mineral Development Report entitled "Mineral Extraction Operating Plan – Reclamation and Closure Plan" as revised March 13, 2014. The Approved Mine Operating Plan shall comply with Lessee's final, approved Temporary Individual Aquifer Protection Permit (No. P-106360), which Lessee must obtain from the Arizona Department of Environmental Quality ("ADEQ"). The Mine Operating Plan is to conform to the Department's plan requirements, and be submitted to and approved by the Department prior to the commencement of any operation upon the Leased Land.
- 21.2 **Lessee Performance.** Upon approval, Lessee shall perform all operations in a manner and time consistent with the Mine Operating Plan.
- 21.3 **Mine Operating Plan Amendments.** Amendments to the Mine Operating Plan must be filed with and approved by the Department whenever the operation deviates from previously approved plans, including mine expansion. Any amendments to the Mine Operating Plan will require changes to the Approved Reclamation Plan in Article 22.1 and may also require changes to the amount of the Reclamation Bond in Article 22.3. Upon completion of the Production Test Facility, and before Lessee starts the commercial phase of the mining operation, the Mine Operating Plan and Approved Reclamation Plan will require major amending or complete revision.
- 21.4 **Compliance of Agents and Subcontractors.** Lessee shall comply, and assure that its agents, sublessees and subcontractors comply with the applicable transportation laws and ordinances pertaining to operation of trucks on roadways and Lessee shall consult with the Arizona Department of Transportation to address safety issues.
- 21.5 **Overburden Piles.** Overburden piles resultant from mining shall be placed and maintained (with riprap if necessary) to prevent any eroded sediment from entering washes.
- 21.6 **Drainage Report.** Lessee shall prepare and submit to Lessor a drainage report which identifies appropriate steps required to control runoff, minimize erosion, maintain water quality and otherwise prevent any adverse impacts on perennial surface flow. Failure to comply with such requirements shall constitute a default hereunder. Such report is subject to Lessor's approval and Lessor may seek input from ADEQ. At no time will Lessee permit a permanent body of water, not identified in the ADEQ permit, to be maintained on the site; however it is acknowledged that heavy rain falls and/or wet seasons may result in storm water temporarily collecting on the Leased Land.

## Article 22

### RECLAMATION AND CLOSURE PLANS AND CONDITIONS

- 22.1 **Detailed Reclamation and Closure Plan.** Lessee shall not commence mining activities unless or until Lessor shall have approved in writing the Reclamation and Closure Plan ("Approved Reclamation Plan"), including any amendments thereto, submitted as part of Lessee's Mineral Development Report entitled "Mineral Extraction Operating Plan – Reclamation and Closure Plan" as revised March 13, 2014. The Approved Reclamation Plan shall comply with Lessee's final, approved Temporary Individual Aquifer Protection Permit (No. P-106360), which Lessee must obtain from ADEQ including the Closure and Post-Closure Plans. Reclamation shall include contouring and landscaping the land to match in a natural manner the surrounding native landscape and landforms and shall be performed concurrent with ongoing mining activities to the extent practicable. Reclamation shall include processes and procedures as identified in the Temporary Individual Aquifer Protection Permit, and as approved by the Lessor.



Reclamation shall also include contouring and landscaping all other portions of the State Trust land parcel disturbed by Lessee not specifically identified in or made part of the Approved Reclamation Plan.

- 22.2 **Final Reclamation.** Lessee shall complete final reclamation within one hundred twenty (120) days following the end of the Lease Term. Such final reclamation shall be in accordance with the Approved Reclamation Plan.
- 22.3 **Reclamation Bond.** Upon Lessor's approval of the Approved Reclamation Plan and prior to the commencement of mining activities, Lessee shall provide Lessor with a bond or other form of security to insure the full performance of Lessee's reclamation and closure activities. The form of such bond or security shall be subject to Lessor's written approval. The amount of the bond or security shall be \$63,000.00. This amount is intended to cover reclamation of the approximately 14 acres of surface to be used by the Production Test Facility at a cost of \$4,500.00 per acre. Upon completion of the Production Test Facility, and before Lessee starts the commercial phase of the mining operation, the amount of the bond or security will be reassessed. At Lessee's expense, Lessor may obtain the services of a consultant to help determine the amount and sufficiency of the new bond or security requirement based on the then-prevailing reclamation costs and the progress of Lessee's concurrent reclamation efforts. Lessor shall have the sole discretion to determine the acceptable amount of bond or security if conditions change during the term of this Lease. When Lessor notifies Lessee in writing of the acceptable amount of the bond or security, Lessee shall increase or decrease the bond or security within thirty (30) days thereafter.

## Article 23 MISCELLANEOUS

- 23.1 **Lessee Rights.** This Lease grants Lessee only those rights expressly granted herein.
- 23.2 **Lease Governance.** This Lease shall be governed by, construed, and enforced according to State laws.
- 23.3 **Applicable Rules, Regulations, and Laws.** This Lease is subject to all current and subsequently enacted rules, regulations and laws applicable to State land as though fully set forth herein.
- 23.4 **Fee Interest.** No provisions of this Lease shall create any right or interest in Lessee to a fee interest in the Leased Land
- 23.5 **Non-Availability of Funds.** Every obligation of the State under this Lease is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of this Lease, this Lease may be terminated by the State at the end of the period where funds are available. No liability shall accrue to the State if this provision is exercised, and the State shall not be obligated or liable for any future payments or any damages as a result of termination under this paragraph.
- 23.6 **Non-discrimination.** Lessee shall comply with Executive Order 99-4, which mandates that all persons, regardless of race, color, religion, sex, age, national origin or political affiliation, shall have equal access to employment opportunities, and all other applicable State and federal employment laws, rules, and regulations, including the Americans with Disabilities Act. Lessee shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.
- 23.7 **Lessor Liability.** Lessor shall be forever wholly absolved from any liability for damages which might result to Lessee in the event this Lease is found to be void, canceled, forfeited or terminated prior to the Expiration Date or in the event this Lease is not renewed.

- 23.8 **Failure to Receive Title.** If, for any reason, it is determined that Lessor has failed to receive title to any of the Leased Land, this Lease is void insofar as it related to the Leased Land to which Lessor has failed to receive title. In such event Lessee waives all right to any compensation as against Lessor, except prorated reimbursement for prepaid rent.
- 23.9 **Reasonable Attorney's Fees.** In any action arising out of this Lease, the prevailing party shall recover reasonable attorneys' fees incurred therein in addition to the amount of any judgment, costs and other expenses as determined by the court. In the case of Lessor, reasonable attorneys' fees shall be calculated at the reasonable market value for such services when rendered by private counsel notwithstanding that it is represented by the Arizona Attorney General's Office or by other salaried counsel.
- 23.10 **Arbitration.** In the event of a dispute between the parties to this Lease, it is agreed to use arbitration to resolve the dispute but only to the extent required by A.R.S. §12-1518; and, in no event shall arbitration be employed to resolve a dispute which is otherwise subject to judicial review pursuant to A.R.S. §12-901, et seq., and administrative review by the Department pursuant to statute or Department Administrative Rule.
- 23.11 **Document Delivery Requirements.** Any notice to be given or other documents to be delivered by one party to the other shall be in writing and served by personal delivery or by depositing same in the United States mail, postage prepaid. Correspondence to the Department shall be addressed as follows:
- Minerals Section  
Arizona State Land Department  
1616 West Adams Street  
Phoenix, Arizona 85007
- Correspondence to Lessee shall be made to the address of record as indicated following Lessee's signature line(s) herein. Each party is obligated to promptly notify the other party in writing of any change in the foregoing addresses. Notice shall be deemed adequate if sent to the last known address of record.
- 23.12 **Effective Lease Terms.** Any attempt to assign, sublease, convey, and transfer or otherwise dispose of any estate or interest in this Lease, for a time period that exceeds the Lease Term, shall not be effective and shall be cause for cancellation.
- 23.13 **Lessor Supervision.** The Department shall not be responsible for the supervision of any activities conducted under the terms of this Lease.
- 23.14 **Current Lease Agreement.** This Lease, together with all attached Appendices, embodies the whole agreement between the parties. This document supersedes all previous communications, representations and agreements, oral or written, between the parties. There are no other agreements or terms, oral or written.
- 23.15 **Lease Execution.** This document is submitted for examination. This is not an option or offer to lease or grant a permit. This document shall have no binding effect on the parties unless and until executed by Lessor (after execution by Lessee), and a fully executed copy is delivered to Lessee.

**Article 24**  
**ASSIGNMENT**

- 24.1 **Lease Assignment.** Lessee, if not in default in the payment of any monies owed the State in regard to this Lease and having kept and performed all the conditions of this Lease, may, with the written consent of Lessor, assign this Lease.
- 24.2 **Filing Lease Assignments.** Copies of assignments pertaining to the Leased Land shall be filed with Lessor.

**Article 25**  
**RENEWAL**

- 25.1 **Lease Renewal.** Upon application to the Department not less than thirty (30) nor more than one hundred and twenty (120) days prior to the Expiration Date, Lessee, if a bona fide resident of the State or legally authorized to transact business in the State, shall have a preferred right to renewal for a term as provided by law, bearing even date with the Expiration Date subject to requirements of A.R.S. § 37-284 and A.R.S. § 27-235 if applicable. The preferred right of renewal shall not extend to Lessee if there has not been substantial compliance with the terms of this Lease or if the Leased Land was not used as prescribed in this Lease, unless for good cause the failure to perform was given written authorization by the Department. If the Department determines the continued leasing of the land to Lessee is not in the best interest of the State, this Lease will not be renewed.

**Article 26**  
**HOLDOVER LESSEE**

- 26.1 **Surrender of Possession.** Within one hundred twenty (120) days after expiration or termination of this Lease, Lessee agrees to surrender to Lessor peaceful and uninterrupted possession of the Leased Land. Holdover tenancy by Lessee is prohibited and shall be deemed a trespass for which Lessor may seek all appropriate legal remedies; except that Lessee if in good standing and who has filed a timely application for renewal may continue to occupy and use the Leased Land with Department approval, pursuant to the terms of this Lease, pending action on the renewal application by Lessor.

Appendix A  
LEGAL DESCRIPTION

STATE OF ARIZONA LAND DEPARTMENT  
1616 W. ADAMS  
PHOENIX, AZ 85007

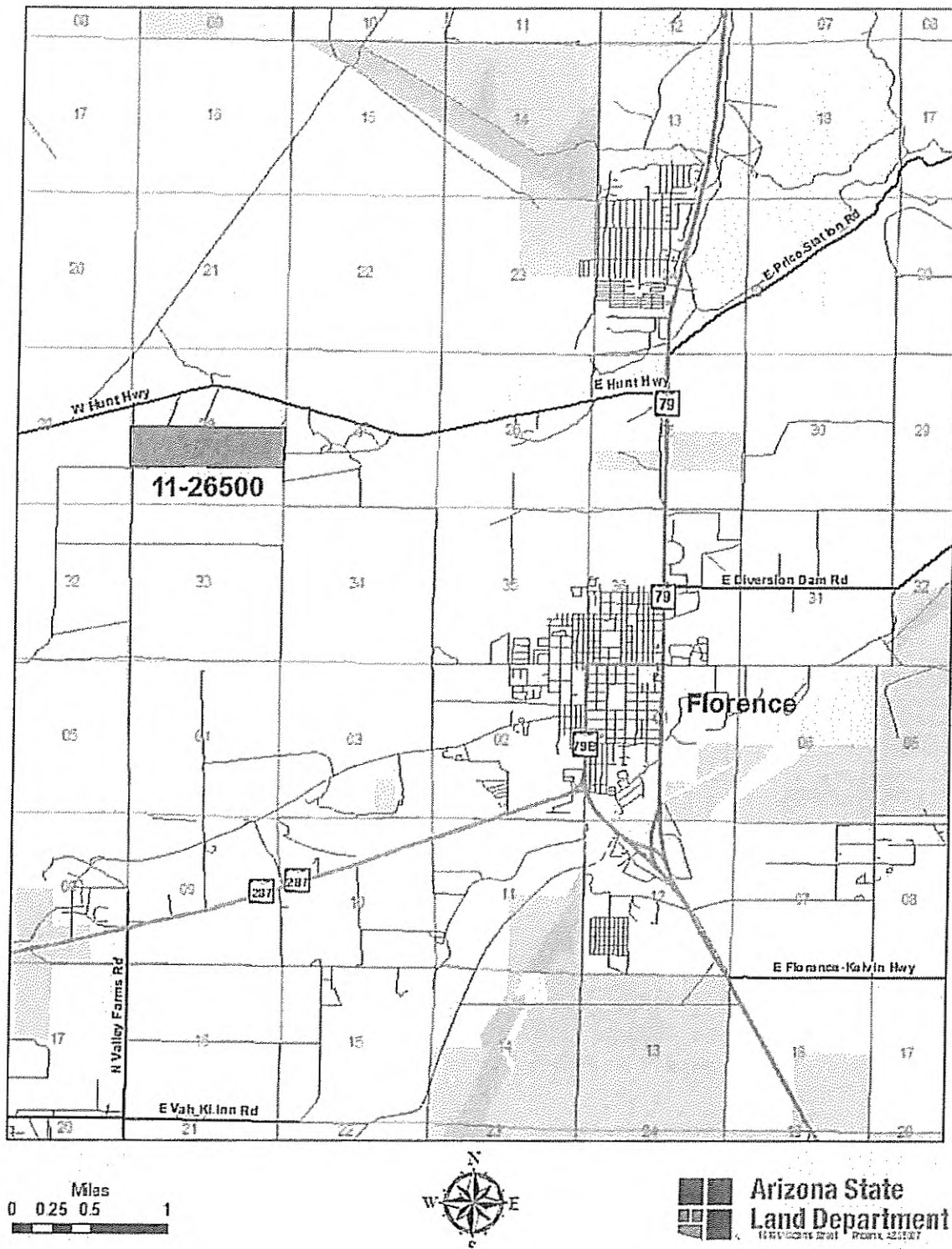
KE-LEASE#: 11-26500-00                      APPTYPE: RENEWAL

AMENDMENT#: 0

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<u>LAND #</u>	<u>LEGAL DESCRIPTION</u>	<u>ACREAGE</u>
T4S, R9E, S28	N2S2	160.00

Appendix B  
GENERAL LOCATION MAP





IN WITNESS HEREOF, the parties hereto have signed this Lease effective the day and year set forth in Article 2.1

ARIZONA STATE LAND DEPARTMENT  
State Land Commissioner

By: \_\_\_\_\_

*Janessa P. Hickman*



FLORENCE COPPER INC.

Lessee

Authorized Representative

Title

Signature

Date

Address

City

State

Zip

*Rita Nigam, Executive Vice President*

*December 15, 2014*

*1575 W. Hart Hwy*

*Florence, Ariz.*

*85132*

**ARIZONA DEPARTMENT of WATER RESOURCES**

1110 W. Washington St. Suite 310

Phoenix, AZ 85007

602-771-8500

azwater.gov



March 6, 2017

FLORENCE COPPER, INC.  
1575 W. HUNT HIGHWAY  
ATTN: IAN REAM, SR. HYDROGEOLOGIST  
FLORENCE, AZ 85132

Registration No. 55- 482740  
File Number: D(4-9) 28 CAC

DOUGLAS A. DUCEY  
Governor

THOMAS BUSCHATZKE  
Director

Dear Well Owner:

Enclosed is a copy of the Notice of Intent to Abandon a Well (NOI) which you or your driller recently filed with the Department of Water Resources. This letter is to inform you that the Department has approved the NOI and has mailed an abandonment authorization card to your designated well drilling contractor. The driller may not begin abandonment until he/she has received the authorization, and must keep it in their possession at the well site during the abandonment.

The well abandonment authorization card and a blank Well Abandonment Completion Report form (form 55-58) have been sent to your driller. Arizona statute [A.R.S. § 45-594] requires the driller to furnish the Department with a complete and accurate Well Abandonment Completion Report within thirty (30) days after completion of abandonment. Arizona statute also requires a well owner to submit a Well Owner's Notification of Abandonment form (form 55-36) within thirty (30) days after the well has been properly abandoned. A copy of the form is enclosed for your convenience. An electronic copy (compact disc or electronic file) of all video logs, if performed, must be included with the well owner's notification or Well Abandonment Completion Report. You should insist, and ensure, all of this is done.

If you change drillers, you must supply the Department with the new driller's identity on a Request to Change Well Information form (form 55-71A). Well abandonments shall be performed only by a licensed well drilling contractor or single well licensee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas Buschatzke", is written over a horizontal line.

Groundwater Permitting and Wells Section

**ARIZONA DEPARTMENT OF WATER RESOURCES**  
1110 W. Washington St. Suite 310  
Phoenix, Arizona 85007

**ABANDON  
VARIANCE GRANTED**

THIS AUTHORIZATION SHALL BE IN POSSESSION OF THE DRILLER DURING ALL DRILLING OPERATIONS

WELL REGISTRATION NO: 55-482740

AUTHORIZED DRILLER: NATIONAL EWP, INC.

LICENSE NO: 823

NOTICE OF INTENTION TO ABANDON ENV - MONITOR WELL(S) HAS BEEN FILED WITH THE DEPARTMENT BY:

WELL OWNER: FLORENCE COPPER, INC. 1575 W. HUNT HIGHWAY ATTN: IAN REAM, SR. HYDROGEOLOGIST FLORENCE, AZ, 85

THE WELL(S) IS/ARE TO BE LOCATED IN THE:

SW 1/4 of the NE 1/4 of the SW 1/4 Section 28 Township 4.0 SOUTH Range 9.0 EAST

NO. OF WELLS IN THIS PROJECT:

THIS AUTHORIZATION EXPIRES AT MIDNIGHT ON THE DAY OF



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**GROUNDWATER PERMITTING AND WELLS**

THE DRILLER MUST FILE A WELL ABANDONMENT COMPLETION REPORT WITHIN 30 DAYS OF ABANDONMENT.

